

Message Text

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ACTION EA-09

INFO OCT-01 EUR-12 ISO-00 SP-02 USIA-06 AID-05 EB-08
NSC-05 TRSE-00 SS-15 STR-04 OMB-01 CEA-01 CIAE-00
COME-00 FRB-03 INR-07 NSAE-00 XMB-02 OPIC-03
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FM AMEMBASSY CANBERRA

TO SECSTATE WASHDC 0305

INFO AMCONSUL BRISBANE

AMCONSUL MELBOURNE

USMISSION OECD PARIS

AMCONSUL PERTH

AMCONSUL SYDNEY

AMEMBASSY TOKYO

AMEMBASSY WELLINGTON

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E.O. 11652: N/A

TAGS: EALR, ECON, EGEN, ALOW, AS

SUBJECT: CPI FOR MARCH 1977 QUARTER

REF: (A) CANBERRA 2927 (NOTAL), (B) CANBERRA 2579 (NOTAL),
(C) CANBERRA 2258, (D) CANBERRA 1194

1. AUSTRALIAN BUREAU OF STATISTICS (ABS) ISSUED APRIL 28, A DAY EARLIER THAN PREVIOUSLY ANNOUNCED, CONSUMER PRICE INDEX (CPI) FOR MARCH 1977 QUARTER. OVERALL ALL-GROUPS INDEX FOR ALL SIX AUSTRALIAN CAPITAL CITIES (CANBERRA EXCLUDED) INCREASED 2.3 PERCENT (CANBERRA 1.6 PERCENT) OVER DECEMBER 1976 FIGURE. ON BASIS THIS FIGURE, CPI IN MARCH QUARTER UP 13.6 PERCENT (CANBERRA 13.0 PERCENT) OVER YEAR EARLIER FIGURE.

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2. QUARTERLY INCREASES BY MAJOR CATEGORIES WERE AS FOLLOWS:
FOOD, 1.9 PERCENT; CLOTHING, 1.5 PERCENT; HOUSING 2.2 PERCENT; HOUSEHOLD EQUIPMENT AND OPERATION, 3.1 PERCENT; TOBACCO AND ALCOHOL, 0.5 PERCENT; HEALTH AND PERSONAL CARE, 2.0 PERCENT; AND RECREATION, 4.1 PERCENT.

3. IF ONE TIME INFLUENCE OF NEW MEDIBANK PAYMENTS SCHEME

IN DECEMBER QUARTER 1976 IS DISCOUNTED BY EXCLUDING HOSPITAL AND MEDICAL SERVICES FROM ALL-GROUPS INDEX, THEN CPI INCREASE FOR MARCH 1977 QUARTER WAS 2.4 PERCENT AND INCREASE OVER YEAR-EARLIER PERIOD WAS 10.2 PERCENT.

4. COMPARATIVELY MODERATE CIP INCREASE IN MARCH QUARTER CAME AS SOMEWHAT OF A SURPRISE, AS MANY EXPERTS WITHIN AND OUTSIDE GOVERNMENT HAD BEEN PREDICTING A DEVALUATION-LED INCREASE OF BETWEEN 3 AND 4 PERCENT. THIS COULD BE A FUNCTION OF MISCALCULATION IN LAGS INVOLVED IN DEVALUATION REFLECTED IN CPI, A RELUCTANCE OF BUSINESS TO PASS HIGHER IMPORT PRICES ON TO CONSUMERS AT A TIME WHEN CONSUMER DEMAND IS SUBDUED, OR A COMBINATION OF BOTH. IN ADDITION, STOCKS INCREASED CONSIDERABLY IN THE DECEMBER 1976 QUARTER AND THUS BUSINESSES MAY WELL NOT YET HAVE BEEN FORCED PUT THEIR POST-DEVALUATION PRICED GOODS ON MARKET BY MID-FEBRUARY WHEN, IN ACCORDANCE WITH ABS SAMPLING TECHNIQUES, PRICES FOR MOST GOODS LIKELY TO BE AFFECTED BY INCREASED IMPORT PRICES WERE TAKEN.

5. IN MEANTIME THERE HAS BEEN A GOOD DEAL OF BACKING AND FILLING BY BOTH SIDES ON QUESTION OF WAGE-PRICE FREEZE PROPOSED AT END OF PREMIERS CONFERENCE (CANBERRA 2579), BUT WITH LITTLE NET RESULT. SCENARIO APPEARS TO BE ROUGHLY AS FOLLOWS: (1) FOLLOWING CLEAR SIGNS THAT MANY UNIONS NOT WILLING GO ALONG WITH WAGES FREEZE, PRIMIN LET DROP HINTS THAT HE MIGHT MAKE FREEZE MANDATORY BY PUTTING ADDITIONAL TEETH INTO LEGISLATION COVERING PRICES JUSTIFICATION TRIBUNAL AND CONCILIATION AND ARBITRATION COMMISSION. (2) THIS LIMITED OFFICIAL USE

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ALLOWED LABOR PREMIERS EASE OUT OF THEIR COMMITMENT TO FREEZE BY SAYING THEY HAD AGREED ONLY BECAUSE OF ITS VOLUNTARY NATURE. (3) GOVERNMENT ALSO ANNOUNCED ITS INTENTION ASK SPECIAL APRIL 26 SESSION OF CONCILIATION AND ARBITRATION COMMISSION TO DEFER MAY 3 NATIONAL WAGE HEARING, BUT DEFERRED FOLLOWING PRESSURE FROM LABOR PREMIERS. (4) IN THE EVENT, GOVERNMENT TOLD COMMISSION THAT WHILE IT DID NOT EXPECT MAY 3 CASE TO BE POSTPONED, IT WOULD BE CONSISTENT WITH SPIRIT OF FREEZE PLAN FOR COMMISSION TO DEFER DEALING WITH ISSUES INVOLVING WAGES UNTIL SOME AGREEMENT ON PLAN IS REACHED. THIS HAD BACKING OF NON-LABOR STATES AND OPPOSITION OF OTHERS. (5) ACTU PRESIDENT HAWKE, IN A RARE APPEARANCE BEFORE COMMISSION, ADVOCATED A SPECIAL NATIONAL SUMMIT CONFERENCE ON THE ECONOMY, WHILE ATTACKING FREEZE PLAN AS A "TOTALLY HYPOCRITICAL CONCOCTION OF A SCHEME." HAWKE SAID HE PREPARED TO PUT UP PLAN INVOLVING A DROPPING OF MAY 3 INDEXATION CLAIM IN RETURN FOR CUT IN DIRECT TAXES TO COMPENSATE FOR MARCH QUARTER INCREASE IN CPI. IF GOVERNMENT WOULD GO ALONG WITH HIS PROPOSAL, SAID HAWKE, HE WOULD CALL A

SPECIAL FEDERAL UNIONS CONFERENCE TO GAIN APPROVAL FOR HIS PART OF DEAL. (6) COMMISSION COMMENDED HAWKE FOR SUGGESTING SUMMIT AND ALSO DECIDED DEFER DECISIONS INVOLVING WAGE INCREASES UNTIL MAY 3 HEARINGS. (7) HAWKE WENT TO CANBERRA AND REQUESTED PRIMIN CALL CONFERENCE. (8) FRASER REPORTEDLY TOLD HAWKE THAT HE WANTED AGREEMENT FROM UNIONS TO FREEZE PLAN, AT LEAST IN PRINCIPLE, BEFORE HE WOULD CONSIDER CALLING CONFERENCE. (9) TALKS BROKE DOWN WITH BOTH SIDES BLAMING THE OTHER. (10) FRASER THEN SENT URGENT MESSAGE TO PREMIERS, APPEALING FOR THEIR BACKING FOR A FURTHER APPROACH TO COMMISSION TO GET A LONGER-TERM FREEZE ON WAGES. (11) FOR FIRST TIME SINCE BEGINNING FREEZE PLAN THERE WAS BREAK IN LIBERAL RANKS, WITH VICTORIAN PREMIER HAMMER CALLING FOR CUTS IN INDIRECT TAXES AS PART OF FREEZE PLAN AND SUPPORTING A NATIONAL CONFERENCE. FEDERAL GOVERNMENT COUNTERED BY HINTING THAT HAMMER HAD RESPONDED TO A LITTLE PRESSURE FROM HAWKE. (12) FRASER WENT ON NATIONAL LIMITED OFFICIAL USE

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TELEVISION TO EXPLAIN HIS PLAN. (13) PROVIDING COUNTERPOINT TO WHOLE DISCUSSION WAS CRIPPLING STRIKE BY VICTORIAN TRANSPORT WORKERS UNION (TWU) WHICH WAS FINALLY SETTLED ON APRIL 28 (CANBERRA 2927).

6. UPSHOT OF FOREGOING IS UNDERSTANDABLE CONFUSION ON PART OF PUBLIC ABOUT WHAT IS GOING ON. ANSWER MAY WELL BE THAT THERE WILL BE TWO WEEK FREEZE UP TO MAY 3 HEARING WHEN NEXT INDEXATION CASE STARTS. THEN IT WILL BE UP TO COMMISSION TO DECIDE A FUTURE WAGES FORMULA CAPABLE OF WINNING SOME GENERAL LEVEL OF SUPPORT, EVEN IF THIS IS ONLY GRUDGING.

7. TREASURER LYNCH WELCOMED MARCH QUARTER MOVEMENT AS FURTHER ENCOURAGING EVIDENCE OF A MODERATION IN INFLATION, ATTRIBUTING IT IN PART TO VERY LOW RATE OF INCREASE IN AVERAGE WEEKLY EARNINGS IN DECEMBER QUARTER. HE TEMPERED HIS OPTIMISM, HOWEVER, BY EMPHASIZING THAT EFFECTS OF \$A5.70 NATIONAL WAGE INCREASE (CANBERRA 2258) HAD STILL TO BE REFLECTED IN PRICES, AS HAD FULL EFFECTS OF DEVALUATION. SHADOW TREASURER HURFORD ALSO WELCOMED MOVEMENT IN INDEX AS BETTER THAN EXPECTED, BUT POINTED OUT THAT IT REFLECTED A MODERATE MOVEMENT IN FOOD PRICES WHICH MOVED FORTUITOUSLY IN ACCORDANCE WITH SEASONAL FACTORS RATHER THAN WITH GENERAL PRICE MOVEMENTS IN ECONOMY. PERCIVAL

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Message Attributes

Automatic Decaptioning: X
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Channel Indicators: n/a
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Decaption Note:
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Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 22 May 2009
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
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Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Expiration:
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From: CANBERRA
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Litigation Code IDs:
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